



**Los Angeles County
Board of Supervisors**

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Mitchell H. Katz, M.D.
Director

John F. Schunhoff, Ph.D.
Chief Deputy Director

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*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*



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February 4, 2011

TO: Each Supervisor

FROM: *fr* Mitchell H. Katz, M.D.
Director

SUBJECT: **NOTIFICATION OF THE DEPARTMENT OF HEALTH
SERVICES' USE OF DELEGATED AUTHORITY TO
EXECUTE AMENDMENT NO. 5 TO AGREEMENT NO.
H-703016 WITH MCKESSON HEALTH SOLUTIONS, LLC
FOR NURSE ADVICE LINE AND DISEASE/CARE
MANAGEMENT SERVICES**

This is to advise your Board that the Department of Health Services is exercising its delegated authority, approved on December 18, 2007 (Attachment I).

Amendment No. 5 extends the term for Nurse Advice Line and Disease/Management Services an additional 12 months effective February 1, 2011 through January 31, 2012, adjusts the maximum obligation, includes the new HITECH BAA language and Agreement, and provides members who meet the criteria and agree to participate in disease management (McKesson Congestive Heart Failure Program) to qualify and obtain a scale (and the education and support from the DM nurse regarding its use).

County Counsel and the Chief Executive Office have reviewed and approved execution of the Amendment as to form.

If you have any questions or need additional information, please let me know.

MHK:JG:ls

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors



County of Los Angeles
CHIEF EXECUTIVE OFFICE

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LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

December 18, 2007

R E V I S E D

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The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

32 DEC 18 2007

Dear Supervisors:

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**DEPARTMENT OF HEALTH SERVICES: COMMUNITY HEALTH PLAN-LOCAL
INITIATIVE AGREEMENT/OTHER RELATED SERVICE AGREEMENTS
AND APPROVAL OF AMENDMENT NO. 2 OF AGREEMENT NO. H-213078
WITH CARE 1ST HEALTH PLAN
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate authority to the Director of Health Services (Director), or his designee, to extend and amend Agreement No. H-207980 with L.A. Care Health Plan (L.A. Care) effective January 1, 2008, on a month to month basis not to exceed six months, up to June 30, 2008, contingent upon prior review and approval by County Counsel and the Chief Executive Office (CEO), and written notification to the Board within 30 days of full execution of the Amendment.
2. Delegate authority to the Director, or his designee, to extend previous delegated Board authority granted on June 19, 2007 to negotiate and execute a Replacement Agreement with L.A. Care during the extension term, and execute future Amendment(s) to the Replacement Agreement, contingent upon prior review and approval by County Counsel and the CEO, and written notification to the Board within 30 days of full execution of the Replacement Agreement and Amendment(s).

3. Delegate authority to the Director, or his designee, to: a) offer and execute new i) Fee-for-Service Hospital Agreements and ii) direct Service Agreements with Individual Primary Care Physicians and Specialists, Ancillary Providers, and other service providers under reimbursement methodology determined by Community Health Plan (CHP) for any or all of its product lines, provided that such Agreements will expand CHP's provider network, increase capacity or access to care to its Members, enhance CHP's ability to grow market share, and develop new product lines, and that such providers meet the CHP's contracting criteria listed in Attachment B; and b) execute future Amendments to these Agreements, subject to availability of each respective funding source, contingent upon prior review and approval by County Counsel and the CEO, with written notification to the Board within 30 days of execution of the new Agreements and Amendments.
4. Approve and instruct the Director, or his designee, to execute Amendment No. 2 to Agreement No. H-213078, substantially similar to Exhibit I, with Care 1st Health Plan (Care 1st) for the continued provision of hospital and professional inpatient and outpatient services to Care 1st Medi-Cal and Healthy Families Members by Department of Health Services (DHS or Department) facilities, effective January 1, 2008 up to December 31, 2008, contingent upon prior review and approval by County Counsel and the CEO, and written mutual agreement by both parties.
5. Delegate authority to the Director, or his designee, to execute a Replacement Agreement with Care 1st effective the first day of the month following the date of successful contract negotiations by both parties, through September 2009, with annual renewals for three years through September 2012, contingent upon prior review and approval by County Counsel and the CEO, and written mutual agreement by both parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

DHS is recommending approval of these actions to: a) ensure continued funding and provision of health services to Medi-Cal beneficiaries enrolled in CHP; b) enable and support CHP in its goal of expanding its provider network, increasing capacity or access to care for all its Members, and enhancing CHP's ability to increase market share and develop new product lines; and c) ensure the continued provision of health care services by DHS facilities at fee-for-service rates to Care 1st Medi-Cal and Healthy Families Members while meeting the County's Strategic Plan Goals of Fiscal Responsibility and Organizational Effectiveness by increasing utilization of DHS facilities and thereby increasing revenue to DHS.

FISCAL IMPACT/FINANCING

L.A. Care Health Plan – Local Initiative Agreement – Medi-Cal Program

CHP receives a per member per month capitated rate from L.A. Care for each Medi-Cal beneficiary enrolled in the CHP. These rates are confidential in accordance with Section 1457 of the California Health and Safety Code, and have been shared with each Board Office, the CEO, and County Counsel.

New Fee-for-Service Hospital Agreements / Direct Service Agreements for All CHP Product Lines

The total fiscal impact of this recommended action cannot be determined at this time, because calculations will depend on the future number of new contracts, member assignments, and reimbursement rates. The funding for new agreements falling under the following CHP product lines is as follows:

Medi-Cal Managed Care Program – 100 percent offset by capitation payments received from L.A. Care on a per member per month basis for each Medi-Cal beneficiary enrolled in CHP.

Healthy Families Program (HFP) – 100 percent offset by State and Federal funds received from the State's Managed Risk Medical Insurance Board on a capitated basis for each CHP HFP subscriber.

In-Home Supportive Services Program - partially offset by State and Federal funds, with remaining costs covered by net County cost, under the terms of the Personal Assistance Services Council-Services Employees International Union (PASC-SEIU) Homecare Workers Health Care Program.

Care 1st Health Plan – Medi-Cal and Healthy Families Program

DHS receives reimbursement at fee-for-service rates from Care 1st. These rates are on file with DHS and kept confidential in accordance with Health and Safety Code Section 1457.

The amount of revenue DHS will generate from this Agreement cannot be determined at this time because it depends on the number of Care 1st patients that will actually be served by DHS facilities. During Fiscal Year 2006-07, DHS facilities collected approximately \$2.5 million.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Community Health Plan

The CHP is a full-service State-licensed and federally-qualified Health Maintenance Organization (HMO) publicly operated by the County of Los Angeles and administered by the Department's Office of Managed Care. CHP's core business is the provision of health care to eligible members enrolled under CHP's Medi-Cal Managed Care Program, HFP, and PASC-SEIU Homecare Worker Health Care Plan.

L.A. Care Health Plan – Local Initiative Agreement – Medi-Cal Program

On February 11, 1997, the Board approved the Local Initiative Agreement / Medi-Cal Agreement with L.A. Care. On subsequent occasions, the Board approved a Replacement Agreement effective December 2002 and Amendments through December 31, 2007.

Negotiations with L.A. Care for a new Replacement Agreement are ongoing. The Department is seeking authorization to extend the existing Agreement No. H-207980 effective January 1, 2008, on a month-to-month basis not to exceed six months, up to June 30, 2008, to allow both parties to complete their negotiations and execute the Replacement Agreement, which shall be effective the first day of the month following the date of successful contract negotiations by both parties, up to March 31, 2009. The Replacement Agreement will align the term of the Agreement with other L.A. Care Plan Partner Services Agreements, including Blue Cross, Care 1st, and Kaiser Permanente. As with the existing Agreement, the new Replacement Agreement will comply with all applicable State laws and regulations.

New Fee-for-Service Hospital Agreements / Direct Service Agreements for All CHP Product Lines

CHP's customary method of reimbursement for contracted health care services is based on capitation, an amount paid to a physician group or hospital on a certain fixed rate per member per month, whereby such rates are actuarially sound based on utilization and cost data. The main advantage of a capitation agreement is that providers have no incentive to provide more services than are medically necessary. The fee is paid whether or not services are rendered, and it provides a consistent source of revenue for the providers and enables CHP to control the rising costs of health care.

In recent years, however, hospitals have started pushing back on capitation agreements and risk sharing arrangements negotiated with physician organizations as costs of providing health care services have risen and legal and regulatory requirements have tightened. Consequently, many health plans have now converted their hospital agreements from capitation to discounted fee-for-service or per diem arrangements. As a result, certain current CHP capitated contracted hospitals will not renew their existing agreements with CHP and are now requiring a shift from the capitation agreement to a fee-for-service agreement. The new fee-for-service agreements will also be offered to potential hospital providers who are critical to maintaining or expanding CHP's network and increasing capacity or access to care by all of CHP's Members. It is incumbent upon CHP to control utilization through authorizations and concurrent review.

In addition, CHP currently only contracts with Medical Groups or Independent Practice Associations, groups of physicians organized as a legal entity to deliver or arrange for the delivery of health services to CHP Members. While such contracting mechanisms have allowed CHP to maintain its current provider network, rapid changes in the HMO industry in response to competitive pressure has limited CHP's ability to strengthen its market position. As part of CHP's goal to expand its provider network, thereby increasing competitiveness and improving efficiency in meeting immediate market needs and delivering effective health care services to Members, the Department recommends direct contracting with Independent Primary Care Physicians and Specialists, ancillary providers, and other service providers, e.g. Skilled Nursing Facilities, Home Health agencies, Hospitalists, etc.

Under both instances, the CHP will determine the reasonable reimbursement rates and methodology to use in negotiating each contract by evaluating current and historical utilization data, financial responsibility matrix, the surrounding market, current industry standard, and available compilation of research data by health industry, other health plans, hospitals, health systems, individual physicians and physician organizations, and other notable research data engines, subject to review and approval by County Counsel and the Chief Executive Office.

Under the recommended action, the Department will use delegated authority to execute such new Agreements and Amendments, subject to availability of each respective funding source. The new Agreements will contain termination provisions by which either party at any time and for any reason may terminate the Agreement by giving at least 90 calendar days prior written notice, and shall contain preferred County contractual language that is in the CHP's current standard agreements, subject to final review and approval by County Counsel and the CEO.